

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-10 EUR-12 IO-13 ISO-00 TRSE-00 DHA-02
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03
H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05
PA-01 EPG-02 AID-05 SS-15 STR-04 ITC-01 USIA-06
PRS-01 SP-02 OMB-01 FEA-01 /113 R

DRAFTED BY EB/ORF/ISM:SCHAAS
APPROVED BY EB/ORF/ISM:ACHEWITT
EB/ITP/STA:GWHITE (IN DRAFT)
AF/S:WEATON (IN DRAFT)
EB/IFD/ODF:JBLANEY (SUBS)
EUR/SOV:WEDGAR (IN DRAFT)
IO/UNP:STESCUDERO (IN DRAFT)
TREAS/FAC:SSOMMERFIELD (BY PHONE)
TREAS:EFROST (SUBS)
-----033535 212246Z /72
P R 212038Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY MOSCOW PRIORITY
INFO USMISSION USUN NY
AMEMBASSY MAPUTO

C O N F I D E N T I A L STATE 144018

E.O. 11652: GDS

TAGS: ETRD, UR, RH

SUBJECT: RHODESIAN CHROME

REF: A) MOSCOW 7467 B) STATE 117740 C) STATE 98459
D) MOSCOW 6941 E) LUX 421 F) STATE 143083 (NOTAL)

1. AS EMBASSY AWARE FROM STATE 98459, TREASURY HAS BEEN
CONSTRUCTING NETWORK OF BILATERAL CERTIFICATION AGREEMENTS
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IN AN EFFORT TO ENFORCE THE UN SANCTIONS AGAINST RHODESIA.
LANGUAGE SUGGESTED IN STATE 143083 FOR SOVIET ASSURANCES
REGARDING RHODESIAN CHROME WILL HOPEFULLY BRING USSR INTO
THE COMMUNITY OF COUNTRIES WHICH HAVE CONCLUDED SUCH
BILATERAL AGREEMENTS WITH THE U.S. IT WILL FORM THE BASIS
FOR BILATERAL APPROACHES BY THE USG, POSSIBLY AT HIGH
LEVELS, PARALLEL WITH ACTION IN THE U.N. SANCTIONS

COMMITTEE, IN CASES OF ALLEGED VIOLATIONS OF THE EMBARGO.

2. RECENT REPORTS (AS INSERTED IN CONGRESSIONAL RECORD BY SEN. BYRD, AS REPORTED IN STOCKHOLM 1789 AND STOCKHOLM 2029, AND AS GATHERED BY U.S. INTELLIGENCE SOURCES) PERSIST IN PORTRAYING SOVIET COMPLICITY IN CIRCUMVENTION OF THE SANCTIONS. TWO RECENT REPORTS INDICATE THAT HEAVY SOVIET INVOLVEMENT IN MANAGEMENT OF PORT OF MAPUTO IS AFFORDING THEM OPPORTUNITY OF DEALING IN RHODESIAN CHROME, AND THAT THEY ARE TAKING ADVANTAGE OF IT. USG IS PREPARING A MAJOR EFFORT AT DETECTION OF SANCTIONS VIOLATIONS, AND WE BELIEVE THAT ANY SOVIET-RHODESIAN CLANDESTINE TRADE WILL QUICKLY BE BROUGHT TO LIGHT.

3. THE SOVIETS' ROLE AS A WORLD CHROME EXPORTER AND ONE OF THE PRINCIPAL BENEFICIARIES OF THE RHODESIAN SANCTIONS ALSO PUTS IT IN A POSITION WHERE IT MAY TRY TO MANIPULATE WORLD CHROME MARKETS TO ITS ADVANTAGE, AS IT DID IN 1971 WHEN IT LED A PRICE INCREASE IN CHROME ORE. ITS COMPLAINTS OF US TRADE DISCRIMINATION AND PROTECTIONISM, ITS RECENT CUTBACKS IN CHROME EXPORTS TO WESTERN EUROPE (IN SPITE OF CONTINUED MINE PRODUCTION OF ORE AND DISCOVERIES OF NEW RESERVES) AND ITS FREEZE ON SIGNINGS OF NEW DELIVERY CONTRACTS LEAD US TO BELIEVE THAT USSR MAY BE POSITIONING ITSELF FOR A NEW ROUND OF PRICE INCREASES IN ITS EXPORTS OF CHROME ORE TO THE WEST IN LATE SUMMER OR FALL. SUCH A
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MOVE WOULD CREATE THE IMPRESSION THAT THE USSR WAS TAKING ADVANTAGE OF STRINGENT WESTERN SANCTIONS AGAINST CHROME TRADE WITH RHODESIA AND WAS THEREBY SHOWING LESS THAN FULL SOLIDARITY WITH THE SANCTIONS EFFORT. THE SOVIETS APPARENTLY INTEND TO COUNTER THIS IMPRESSION BY CLAIMING THAT THE CHROME CERTIFICATION NETWORK IS PROTECTIONIST AND DISCRIMINATORY AGAINST THE USSR (REF A). IN COUNTERING SUCH DISTORTIONS, THE EMBASSY MAY DRAW ON THE FOLLOWING POINTS:

A) ENFORCEMENT BY THE UNITED STATES OF THE EMBARGO IS JUST AS STRINGENT FOR CHROME ORE AS FOR FERROCHROME AND SPECIALITY STEEL. WHENEVER THERE IS REASON TO BELIEVE THAT AN ORE SHIPMENT COULD CONTAIN CHROME OF RHODESIAN ORIGIN, LAB TESTS ARE BEING USED. BECAUSE OF THE EASE OF SUCH TESTS AND OUR HIGH CONFIDENCE IN THEIR VALIDITY, WE CAN SCREEN RHODESIAN CHROME ORE AT U.S. PORTS WITHOUT REQUIRING THAT ORE SHIPMENTS ORIGINATING IN A COUNTRY BE INCLUDED IN ITS CERTIFICATION AGREEMENT WITH US.

B) ALL OTHER PARTICIPATING COUNTRIES IN THE CLOSED CIRCUIT OF CERTIFICATION AGREEMENTS EXCEPT THE USSR ARE BEING ASKED TO TEST CHROME ORE AND FERROCHROME SHIPPED FROM SOUTH AFRICA. BECAUSE OF THE IMPOSSIBILITY OF

VERIFYING THE VALIDITY OF SOVIET TESTING AND ENFORCEMENT PROCEDURES, THE USSR WAS NOT ASKED TO TEST SOUTH AFRICAN CHROME. OUR INTENT WAS TO AVOID IMPOSING EXTRATERRITORIAL RESTRAINTS ON SOVIET TRADE WITH THIRD COUNTRIES.

4. WE WILL VIEW ANY SOVIET ATTEMPT AT MANIPULATION OF THE WORLD CHROME MARKET SERIOUSLY. WE INTEND STRONGLY TO COUNTER SOVIET JUSTIFICATIONS, NOT ONLY WITH REGARD TO ALLEGED US PROTECTIONISM AND TRADE DISCRIMINATION AS DESCRIBED ABOVE BUT ALSO IN CONNECTION WITH CUTBACKS IN

SOVIET EXPORTS OF CHROME ORE TO THE WEST, OSTENSIBLY FOR REASONS OF CONSERVING SOVIET CHROME RESOURCES FOR DOWN-
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STREAM PROCESSING INTO FERROCHROMIUM.

5. EMBASSY IS ENCOURAGED TO CONTINUE ITS EXCELLENT REPORTING OF CHROME-RELATED MATTERS. ANY INFORMATION IT CAN DEVELOP CONCERNING CUTBACKS IN SOVIET CHROME EXPORTS WOULD BE MOST HELPFUL IN CONSTRUCTING A PICTURE OF SOVIET CHROME STRATEGY. VANCE

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